

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7164

BILL NUMBER: HB 1329

DATE PREPARED: Jan 9, 2002

BILL AMENDED:

SUBJECT: Public Water and Wastewater.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill permits a political subdivision to receive financial assistance from the Wastewater Revolving Loan Fund and the Supplemental Drinking Water and Wastewater Assistance Fund for certain nonpoint source pollution reduction projects. The bill establishes reduced rate loans to private entities for those projects financed through those funds. It limits the amount available from each fund for those purposes. This bill also designates the Budget Agency to manage and administer all aspects of the financial assistance programs and directs the Budget Agency to designate the Department of Environmental Management (IDEM) to manage and administer environmental aspects of the financial assistance programs. The bill directs the Budget Agency to fix a budget for aspects of the programs to be managed and administered by IDEM. The bill voids certain rules of the Water Pollution Control Board relating to the programs and directs the Budget Agency to adopt rules. It also repeals provisions that assign joint duties to the Budget Agency and IDEM with respect to the programs.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The state revolving loan funds (SRFs) are currently administered jointly by the Budget Agency and IDEM with IDEM responsible for the environmental aspects of the programs and the Budget Agency responsible for the financial aspects. The SRF programs provide low interest loans to political subdivisions for wastewater projects and to political subdivisions and private and non-profit entities for drinking water projects. Loans completed for publicly owned wastewater and drinking water projects have equaled \$859,700,617 (as of April 2001).

The number of SRF loans has increased in recent years. After closing an average of about 7 loans for \$33 M per year from FY92 to FY98, the Budget Agency closed 31 loans for \$170 M in FY99 and 81 loans for \$354 M in FY 2000. The Budget Agency closed at least 26 loans for \$102 M in FY 2001. The total SRF loan portfolio for waste water and drinking water included 186 loans for about \$853 M as of December 2001.

The Supplemental Fund is used to make grants and loans. The majority are grants. Prior to 1995, Build Indiana Funds were used to fund projects. In 1995, \$28.2 M were appropriated to the fund. In 1999, \$40 M were appropriated to the fund. Interest rates for loans ranged from 0% to 4%.

Under the proposal, the Budget Agency would designate environmental aspects of the program to be managed and administered by the Department of Environmental Management. The Budget Agency must consider the recommendation of the Department when developing a priority ranking system for making loans and providing other financial assistance.

The proposal allows for use of the funds for nonpoint source pollution reduction projects, which could include reduction of nonpoint source pollution (1) from farm field runoff; (2) through restoration of wetlands; or (3) through replacement of failing sewage disposal systems with systems that include sewage treatment features.

A financial institution may apply to the Budget Agency for eligibility to receive certificates of deposit. A private entity may apply to a financial institution for a loan for a nonpoint source pollution reduction project.

For each state fiscal year, the Budget Agency may use not more than 3% of the total amount available for financial assistance from the fund for the year for the combined purposes of (1) providing loans or other financial assistance to political subdivisions for nonpoint source pollution reduction projects; and (2) placing certificates of deposit for the nonpoint source pollution reduction project loan program. Amounts estimated to be available for any year that remain unused at the end of the year may be carried forward for use in any subsequent state fiscal year.

Currently, four budget analysts at the State Budget Agency administer the State Revolving Loan Funds and the Supplemental Fund. Three analysts are paid through the Indiana Transportation Finance Authority. The fourth analyst serves as a consultant under contract. Costs for the four analysts equal about \$160,000 per year. Approximately ten staff administer the SRF program for IDEM. Under the proposal the Budget Agency would administer all aspects of the SRF program. Among other responsibilities, the Budget Agency must develop and use a priority ranking system to achieve optimum water quality consistent with the water quality goals of the state and the federal Clean Water Act and Safe Drinking Water Act. According to the proposal, the Budget Agency may bypass procedures to render program assistance efficiency which could marginally reduce operating costs.

The Budget Agency may amend certain rules to implement the proposal. Legislative Services Agency would be required to void certain rules. These agencies should be able to absorb any additional expenditures associated with these provisions given their current budgets.

(Updated information will be provided.)

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Budget Agency, Legislative Services Agency, and the Department of Environmental Management.

Local Agencies Affected: Political Subdivisions.

Information Sources: Rich Emery, and Matt Martin, State Budget Agency, State Revolving Loan Program, 232-0759.